CF 13188/26

N
1624

C F 13188
1 JUL 1926

HONG KONG

From
Foreign Office.

CO 129/498/18

Date
30 June 1926

CLOSED
UNTIL

Activities of Haji Muhammed Hassan Nemazee

Previous paper
F.O. 12601

(Minutes within)
Mr Paskin

Subsequent paper
30016/27

Mr Paskin 7/12
Mr Ellis
Sir G. Grindle 8/12

PUT BY

(4981) Wt. 11587/35 15m 11/25 J.F.W. (E. 2337).

NOT TO BE TURNED INSIDE OUT.

Sir R. Delevingne spoke to me ~~abo~~ some little time ago about the return of Nemazi to H.K. reported in 8883 & 9298. He asked that a desp. might be sent to Gov. urging him to see that the H.K. Govt. does not relax its vigilance or grant to any member of this family or their firm any facilities wh. wd. enable them to engage in the traffic in opium.

I promised to prepare a dft. for him to see.

J.J.L.

J. Paskin

5/7.

Sir G. Grindle.

I was intending to send this dft. to H.O. before submitting it to you, but on further consn. it seems desirable that you shd. see it first.

The qn for consn. is whether the Gov. is to be instructed as in last para of my dft. to withold travelling facilities to members of this firm. The reference is, of course, to para 5 of our desp. of 19/6/24 on H.O. 23965/24, & pen-ult para of H.O. 49286/24, wh. was sent out to Gov.

The 1924 Opium Order, makes it illegal for anyone in the Colony to deal in (or "procure") opium anywhere (whether within the Colony or elsewhere) without a licence issued by the Hong Kong Govt., and both Nemazi & his two sons (the one in charge of the firm in H.K. & the one in Persia) have declared that since the passing of this Order, the H.K. firm has gone out of the opium business. (They were refused a licence last year in connection with a Japanese Govt. contract to supply opium to Formosa).

Since the firm (we understand) does a considerable legitimate trade, it does seem to me to be rather high-handed to refuse any member of the firm travelling facilities:x: wh. after all may be required in connection with their legitimate business.

[:x: e.g. to go to Shanghai]

Moreover, it is by no means clear that such a refusal wd. really prevent them from engaging in the opium traffic if they so desire. e.g. they cd. easily transact their business through an agent & it wd. seem to be impossible to deny travelling facilities to every person who might conceivably be suspected of being an associate of Nemazi.

On the other hand, of course, ~~Th~~ the same consn. applies to their legitimate business. i.e. even if members of the firm were denied travelling facilities, they cd. still conduct their legitimate business through agents.

J. Paskin
6/7

I do not see how we can refuse Nemazee travelling facilities on mere suspicion of doing what his brother does openly & lawfully under another British administration. The despatch herewith is as far as we ought to go.

G.G.
7.7.26

Aldred

2. M.D. Perkins (S.O.) —— 16. July 1926

Pl. see amendments suggested by Sir M. Delevingne.

I have inked in those wh. are unobjectionable from the C.O. point of view.

It will however be seen that he has inserted a sentence (on the lines of the one wh. we struck out of our dft), instructing Gov. to withold travelling facilities etc.

I submit dft. reply to Mr Perkins.

J. Parkin
16/7

[? Desp. shd. wait to see whether Sir M.D. wishes to press his point].

3 To Perkins —— 19 July 1926

4. F.O —— 23 July 1926

5. Sir M. Delevingne —— 23 July 1926

Sir G. Grindle.

Like you, I remain unconvinced by Sir M. Delevingne's letter of 23/7.

(a) The circs. now are entirely different from those existing at the time when the instructions were given to Gov. in 1924.

(H.O. 23965/24
H.O. 49286/24)

Then Nemazi was admittedly shipping opium wholesale to the F.E. (though not contrary to the H.K. Opium Order), & it remained to be seen whether his law abiding instincts wd. stand the strain of the veto wh. was **about to be** put on his activities by the amendment of the H.K. Order.

~~Since then he~~ **Now** he claims (& H.O. can produce nothing but the merest suspicion to the contrary) that as a result of the new H.K. Order & the Persian Gulf Regulations, he has gone out of the opium business.

(b) In the past he always was careful not to infringe the H.K. Order. We have no real reason for supposing that he will not equally continue to refrain from infringing the new Order.

(c) As shown in the annexed memo. we have now tightened up the H.K. Order to such a pitch that, if he **does** start dealing in opium again, it ought to be very easy to catch him.

(d) Although this is not strictly relevant, it seems desirable to observe that Sir M. Delevingne's view of Mr Nemazee as a disreputable villain, seems hopelessly distorted. ~~as reported by Gov. in~~ He is a wealthy shipowner & merchant with a wide legitimate trade (inter alia he handles a good part of the Malayan pilgrim traffic). as reported by Gov. in 42809/14, he is a well known member of H.K. society, prominent in philanthropic work, gave $100,000 to the University (& is a life member of the Court) & a respected member of the Mohammedan community.

No asiatic looks upon dealing in opium as a disgrace (as the H.O. do), & even his illicit transactions were "ostensibly legal" (Gov. 18919/14) since he shipped from Persia (where export was allowed) to Macao & other places (where import was allowed — or connived at by Govt.).

I agree G.A.G.

I wd. therefore propose that desp. shd. now be sent as amended in ink (but without Sir R. D.'s pencil addition);

& so inform Sir R. D., s.o., regretting ~~the~~ to be unable to agree, but writing on the lines of (a) (b) & (c) above.

I annex a memo. giving the merest outline of the H.O. anti-Namazi campaign.

26/7

P.T.O.

One other point might be mentioned. Sir R.D. always refers to the various Nemazi businesses as though they were branches of one firm, & all under the control of an arch-villain. So far as I am aware we have no evidence that they are not absolutely independent, (as is implied in the ~~[illegible]~~ way that members of the firm have referred to them in conversations with Consular officers in Persia). e.g. We have recently had a tel. from the S.S. saying that the S.S. Govt. know nothing about the business relationship between the Singapore house of M.A. Namazie & the H.K. house of H.M.H. Nemazi, beyond the fact that the Singapore man is agent for the H.K. man's ships (wh. seems to imply independence).

We might mention this point in reply to Sir R.D. proposed above. Yes.

J. Paskin
26/7

Sir J. Wilson.

I send this on as the Home Secretary may take it up personally with the S. of S. Briefly the point is this. Because they suspect Nemazi of illicit dealings in opium, & because his family carry

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on in India an export business which is perfectly lawful there, the Home Office want us to instruct the Governor of Hong Kong to prevent ~~him~~ him from travelling on his legitimate business as a merchant, ship-owner, etc. We refuse to do this without proof that Nemazi is breaking the law. I submit we are right.

G.G.
27.7.16.

Sec of State

I agree with Sir G. Grindle and I think the despatch* should go as amended in ink: and that Sir Delevingne should be told that we regret we cannot go further. I am sorry to bother you with the matter but the Home Secretary may possibly mention it to you.

(* flagged "A")

30.7.16

As proposed
ABL 3/8

I saw Sir R. Delevingne on Tuesday on another matter & he asked how this p. stood. I told him S. of S.'s decision. He took exception to the matter having been submitted to the S. of S. for final decision without giving H.O. a chance to press their views further. He read me extracts from minutes between himself & Sir J. Anderson in wh. the latter had agreed to take up the matter personally, if C.O. did not accept Sir M. Delevingne's view. I pointed out that his letter of 23/7 did not contain any indication that this was the H.O. desire.

He also said that C.O. did not appear to realise the difficulties of his posn. at Geneva. The Jap. & French representatives are eager to take advantage of any opening. Nemazi's activities have already been mentioned at Geneva & may be again. He said that if C.O. did not accept H.O. advice on a matter of this sort, he cd. not undertake to defend us at Geneva. In fact he wd. prefer to resign his appt. on the L/N adv. Cmttee.

He first asked that desp. shd. be held up till Sir J. Anderson had had an opportunity of discussion with Sir S. Wilson. In view of Sir G. Grindle's absence on leave, & the fact that Sir S. Wilson is not familiar with the detailed history of the opium qn., I suggested that desp. might go as it stands, & that the qn. shd. be further considered on Sir G. Grindle's return.

Sir M.D. was prepared to agree to this provided a para. were added to say that the instructions given in 1924 (wh., Sir M.D. pointed out have not been cancelled) are under consn., & promising a further desp.

Secret

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I said that I wd. prefer to send a separate desp., & Sir R.D. had no objn. I promised to place his views before Sir S. Wilson.

I have spoken to Sir S. Wilson, who has authorised the despp. to go to H.K., & for me to explain to Sir R.D. (as in my minute of 26/7) the grounds for C.O. views.

J. Paskin
5/8

6. To Gov. Conf — 9 Aug 1926
7. To Gov Secret — 9 Aug 1926
8 To Sir M. Delevingne. S.O. — 9 Aug 1926
9 To Sir C. Severn S.O. — 19 Aug 1926

10 Sir C. Severn — 20 August 1926
11 Copy tel. to Gov. H.K. Conf 21 Aug 1926 H.O. F14188/26 Eastern
12 Sir M. Delevingne — 24 August 1926
13. To Gov. H.K. Conf a/1 — 25 Aug 1926 H.O. F 14188/26 Eastern

To Sir C. Severn as in dft.

& Recirc to Sir G. Grindle on his return to see my minute of 5/8 & my corres. with Sir C. Severn.

J. Paskin
25/8
at once.

14 To Sir Claud Severn — 27 AUG 1926 S/O

15 Gov. Conf ——— 27 Oct 1926.

Fs copies of min. & report by Supt of Impts and Expts re financing of shipments of Persian opium on SS 'Prominent'.

(Original [illegible] C.O. F. 6675/26)

I have had the dupl. copy of this desp. placed on this file because it will be seen from p. 2 of sub-encl. that some of the opium in qn "had Nemazee's marks". This doesn't necessarily mean that the H.K. Nemazee had anything to do with it. They may have been the marks of the Persian firm of Nemazee.

It will be seen that Sir M. Delevingne has not returned to the charge as indicated in my minute of 5/8, & the further desp. promised in No. 7 has not yet gone.

This fresh mention of Nemazee is however almost certain to "draw" Sir M. Delevingne, & I wd. accordingly suggest that it may be well to take the ~~Bull~~ bull by the horns as in S.S.L. consn.

J. Parkin
7/12.

I think we must assume that the H.K. Nemazee is innocent, but of course it would be helpful to have this stated explicitly. G.G. 8.12.26

16. To Delevingue (H.O.) cons - w/c 15 and dft desp. - 11 Dec '26 S/o

17. To Strang (F.O.) cons. w/c 6, 7, 15, 16 and dft desp - 11 Dec '26. S/o

27/12

18 Strang (F.O.) —— 22 Dec 1926

No obsons to offer. would like copy of desp in its final form

19. Delevingne —— 24/12/26

(facilities to be accorded to Nemazee)

See now on 30046/27 H.K.

J.P. 13/1/27.

31/1

19

~~COW~~

512

HOME OFFICE,
WHITEHALL,
S.W.1.

24th December, 1926.

S.O.383.

Copy to W Strang (F.O.) 8 JAN 1927 on 300046/27. no 16.

Dear Paskin,

Thank you for your letter of the 11th enclosing a copy of a despatch from Hong Kong on the subject of an opium syndicate in the Colony and draft of a despatch ~~from~~ to the Governor on the subject of the facilities to be accorded to Nemazee.

The despatch and its enclosures from Hong Kong are very interesting and there is information in them which will be useful to the Opium Advisory Committee of the League. I propose therefore to ask the Foreign Office to communicate to the Secretariat of the League, for the information of the Advisory Committee, the substance of the information in the despatch and its enclosure, with the omission of the names and addresses as desired by the Governor. I understand from the last paragraph but one of your letter to me that the Colonial Office have no objection to this being done.

As regards Nemazee, I have discussed the matter again with Sir John Anderson. We cannot agree with the line taken in the draft despatch which you enclose and hold the view strongly that no facilities should be given to Nemazee or members of his family or firm which could in any way facilitate their trafficking in opium or drugs. We consider that the Colonial Office is looking at the matter in the wrong light. Nemazee makes a claim that he and his branch in Hong Kong have gone out of the opium business and the Colonial Office take the view that that claim must be

J.J. Paskin, Esq., M.C.

accepted unless there is evidence to the contrary. Nemazee also claims that he is not responsible for transactions in opium carried out by the branch or associated firms in Shanghai, Singapore, Bombay and elsewhere. The Colonial Office think that this claim also must be accepted, unless there is evidence to the contrary. In view of all that you and we know about the past activities of Nemazee and his family in connexion with the business of smuggling opium into China and elsewhere, and of the fact that within the last two years he was busily engaged in Persia in connexion with this business, we are quite at a loss to understand this attitude on the part of the Colonial Office. Our view is that the Government of Hong Kong should use their powers against Nemazee if they are not satisfied that he is not now concerned in the illicit transactions, and not (as you propose) only if they are in a position to prove that he is so concerned. In other words, the onus of proof should be on Nemazee and not on the Hong Kong Government. We gather from paragraph 5 of your despatch that the Colonial Office is influenced to some extent by the fact that Nemazee has been a prominent member of the English? community in the Colony. This appears to us to be an argument for even greater circumspection on the part of the Colonial Government.

Has the Colonial Office considered that it would be practically impossible for the Hong Kong Government ever to satisfy itself, when Nemazee says he wants to go to Shanghai, Macao, Amoy or Swatow or any other such place on business affairs, ~~that they are~~ as to whether those affairs are or are not) (legitimate and does do not cover opium transactions - unless ~~they~~ it should be so fortunate as to get proof through a raid or otherwise that Nemazee is mixed up in some opium transaction, and we understand from past despatches from the Government of Hong Kong that the Nemazee family there are too clever for that to be likely to happen.

I need not remind you, for you are well aware of it, that Nemazee's record is well known both in the League and outside of it, and the facts that he has been made a British subject and resides and carries on his business in a British Colony place~~s~~ us in ~~the~~ a position of real embarrassment at Geneva. The Colonial Office are going to make that position very much worse if they deliberately decide to give Nemazee and the members of his family and firm, while they reside at Hong Kong, facilities to go about as they please and carry on any business they choose outside the Colony. You will surely appreciate that if, as a result of these facilities, Nemazee or his firm should engage in some illicit opium transaction and should be caught at it, we should have nothing whatever to say in Geneva or elsewhere in our defence.

Yours sincerely,

Malcolm Delevingne

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515

FOREIGN OFFICE, S.W.1.

22nd December, 1926.

(F 5489/5/87)

Mr Paskin

Dear Paskin,

We have no observations to offer on the draft despatch to Hongkong about Nemazee, enclosed in your letter No. C/F/13188/26 of December 11th. We should like to have a copy of it in its final form so that we may send the correspondence to Tehran and Bushire.

It will of course not be necessary for you to send us officially another copy of the Governor's despatch of October 27th last.

Yours sincerely

W. Strang

J. J. Paskin, Esq., M.C.

Answd – 18 JAN 1927 on 30046/27

F.O. / Cf. 13188/26 H.K. 17

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Mr. Paskin 7/12
Mr. Ellis 7/12
Mr.
Mr. E. J. Harding.
Mr. Strachey.
Sir J. Shuckburgh.
Sir G. Grindle. GG
Sir C. Davis.
Sir S. Wilson.
Mr. Ormsby-Gore.
Earl of Clarendon.
Mr. Amery.

Concur

3 **DRAFT**s.

W. Strang Esq.
F.O.

To Sir M. Delevingne (Dt.) ✓
From Gov. Conf 27/X. ✓
Dft. desp. to Gov. (Dt.) ✓
To Gov. Conf. 9/VIII (No 6)
To Gov. Secr. (No 7)

(H.O. 23965/24).

S.O. for ~~Mr~~ Paskin's sig.

11th Dec: 26.

Dear Strang,

I enclose copies of a letter I have written to Delevingne about our H.K. Nemazee, wh. I think speaks for itself. We shd. be glad to know whether your Dept has any obsons to offer.

I find that we have to apologise for not sending to you before copies of our two desps. of the 9th of Aug. The circs. in wh. they were written is sufficiently indicated in my enclosed draft.

To facilitate reference I shd. say that a copy of C.O. desp. of 19/VI/24 was sent to you on that date under reference 23965/24, & a copy of C.O. desp. of 31/X/24 was sent to

you on 6/xi/24 under ref. 49286/24.
a copy of Stubbs' desp. of 7/viii/24 was
sent to you on 10/x/24 under ref. 42809/24.

The Sec. of the H.K. opium Ordce
referred to in para 4 of my offl. desp.
provides that

"Except under & in accordance with a licence granted by the Gov., no person or firm shall, whether in his or its own behalf or on behalf of any other person or firm, buy or sell, or supply or procure, or offer to supply or procure, or otherwise deal in or offer to deal in, any raw opium, whether such raw opium be in the Colony or elsewhere, & whether it be ascertained or appropriated or in existence or not, -------------------"

~~You~~ I presume that your Dept. will not want another copy of the Gov's desp. of 27th Oct 1926, to be sent to you officially.

Yrs sincerely

(Sd). J. Paskin

C/F/13188/26

Downing Street,
December, 1926.

Dear Strang,

I enclose copies of a letter I have written to Delevingne about our Hong Kong Nemazee, which I think speaks for itself. We should be glad to know whether your Department has any observations to offer.

I find that we have to apologise for not sending to you before copies of our two despatches of the 9th of August. The circumstances in which they were written is sufficiently indicated in my enclosed draft.

To facilitate reference I should say that a copy of Colonial Office despatch of 19th June, 1924 was sent to you on that date under reference 23965/24, and a copy of Colonial Office despatch of 31st October,1924 was sent to you on 6th November 1924 under reference 49286/24. A copy of Stubbs' despatch of 7th August, 1924 was sent to you on 10th October, 1924 under reference 42809/24.

The

To.Sir M. Delevingne
Fr.Gov.27.10.26
Dft. to Gov.
To.Gov.9.8.26
To.Gov.Secret

W. STRANG ESQ.

The Section of the Hong Kong opium Ordinance referred to in paragraph 4 of my draft despatch provides that

"Except under and in accordance with a licence granted by the Governor, no person or firm shall, whether in his or its own behalf or on behalf of any other person or firm, buy or sell, or supply or procure, or offer to supply or procure, or otherwise deal in or offer to deal in, any raw opium, whether such raw opium be in the Colony or elsewhere, and whether it be ascertained or appropriated or in existence or not..........".

I presume that your Department will not want another copy of the Governor's despatch of 27th October 1926, to be sent to you officially.

Yours sincerely.

F.O. / Cf. 13188/26 H.K.

Mr. Paskin 7/12.
Mr. Ellis 7/12
Mr.
Mr. E. J. Harding.
Mr. Strachey.
Sir J. Shuckburgh.
Sir G. Grindle.
Sir C. Davis.
Sir S. Wilson.
Mr. Ormsby-Gore.
Earl of Clarendon.
Mr. Amery.

Consn.

3 **DRAFT.**s

Sir M. Delevingne K.C.B.
H.O.

From Gov. Conf. 27/4

Dft. to Gov. (dft. herewith)

Copy with encl.s
to Mr Strang (F.O.)
with D.L.

~~[illegible]~~

C. D.
R 8 DEC
D 11

S.O. for Mr Paskin's sig.

~~[illegible]~~ 11th Dec: 26.

Dear Sir Malcolm,

I enclose a copy of a desp from H.K. giving particulars of Lloyd's investigation into the activities of an opium smuggling syndicate. You will see that this is the first occasion on wh. it has been possible to prove that a cargo of Persian opium was actually arranged & financed in the Colony.

The mention of Nemazee's name on p 2 of the sub. encl. has reminded us that we have not yet heard from you further about the qn. of travelling facilities for the H.K. Nemazee, wh. we discussed ~~in a~~ during the summer; & that consequently the further desp. ~~[illegible]~~ promised in the S. of S.'s secret desp. of the 9th of August, has not yet been sent. (No 7.).

Subject to any comments wh. you may have to offer, it is now proposed to write to the Gov. as in dft. herewith.

Yours sincerely

(Sd). J. Paskin

You will no doubt consider how far it wd. be useful to communicate the substance of Lloyd's report to the L/N with the names & addresses omitted, as desired by the Gov.

I am ~~also~~ sending a copy of this letter (& encls.) to Strang of the F.O., in case they have any obsns to offer on the dft. desp.

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C/F/13188/26

Downing Street,
December, 1926.

Dear Sir Malcolm,

I enclose a copy of a despatch from Hong Kong giving particulars of Lloyd's investigations into the activities of an opium smuggling syndicate. You will see that this is the first occasion on which it has been possible to prove that a cargo of Persian opium was actually arranged and financed in the Colony.

Fr.Gov.Conf.
27.10.26

The mention of Nemazee's name on page 2 of the sub-enclosure has reminded us that we have not yet heard from you further about the question of travelling facilities for the Hong Kong Nemazee, which we discussed during the summer; and that consequently the further despatch promised in the Secretary of State's secret despatch of the 9th of August, has not yet been sent. Subject to any comments which you may have to offer, it is now proposed to write to the Governor as in draft herewith.

To Gov.

You will no doubt consider how far it would

be

SIR M. DELEVINGNE K.C.B.

be useful to communicate the substance of Lloyd's report to the League of Nations with the names and addresses omitted, as desired by the Governor.

I am sending a copy of this letter (and enclosures) to Strang of the Foreign Office, in case they have any observations to offer on the draft despatch.

Yours sincerely.

F.O./C.F.13188/26 H.K.

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Mr. Paskin 7/12
Mr. Ellis 7/12
Mr.
Mr. E. J. Harding.
Mr. Strachey.
Sir J. Shuckburgh.
X Sir G. Grindle. F.S.
Sir C. Davis.
Sir S. Wilson.
Mr. Ormsby-Gore.
Earl of Clarendon.
Mr. Amery.
Conson

DRAFT.

HONG KONG
SECRET
Governor

(to go in dft. to
Sir M. Delevingne and
Mr. Strang with d.hw.)

(fair copy for file also
required)

Downing Street,
December, 1926.

Sir,

I have the honour to refer to my (7) Secret despatch of the 9th of August in which I indicated my intention to address you further in regard to the question of witholding travelling facilities from Haji Muhammad Hassan Nemazee.

2. I have to explain that it was represented to me at that time that the fact that Nemazee is a British Subject and that the branches of the firm in Persia, Macao, Shanghai and Bombay were engaged in carrying on an illicit trade in opium had already become embarrassing to the British Representatives at Geneva, and that there did not appear to be any grounds for withdrawing the instructions which were conveyed to your predecessor in Mr. Thomas' secret despatches of the 19th of

June and the 31st of October 1924, and which had only been in suspense owing to Nemazee's absence from the Colony.

(H.O.23965/24)
(H.O.49286/24)

3. On the other hand, no evidence had been produced to me to indicate that the statements made to His Majesty's Representatives in Persia that the Hong Kong member of the family had gone out of the opium business, were incorrect, or that he is in any way responsible for the transations in opium which were alleged to be carried on by other members of the family.

4. I was also influenced by the consideration that if it could be proved at any time that he were re-engaging in the illicit traffic in opium, it would be possible to proceed against him under Section 4 of the Opium Ordinance., - a section which (it will be recalled) was enacted in 1924 with specific reference to

your predecessors observations on the difficulty of taking action against Nemazee under the Opium Ordinance as it then stood.

5. In these circumstances I felt that there were insufficient grounds for renewing the instructions that such a prominent member of the unofficial community in the Colony (vide Sir R.E.Stubbs secret despatch of the 7th of August, 1924) should be denied facilities for travelling on his legitimate business.

Gov.42809/24

6. I ~~am~~ observe however from page 2 of the Report forwarded with your confidential despatch of the 27th of October that some of the chests of Persian opium carried by the s.s. "Philadelphia" "had Nemazee's marks".

(No 15)

I presume you are satisfied that this does not mean that the Hong Kong member of the family is still (or has again become) interested in the illicit traffic in opium. I should, however, be glad to be informed explicitly whether the fuller information, which is no doubt in your possession, indicates that he is not implicated in these transactions and that there is therefore no occasion to consider the question of taking action against him under the Opium Ordinance.

7. I should also be glad to be furnished with your observations generally on the question of the desirability or otherwise of witholding travelling facilities from Nemazee, and members of his family or firm.

I have etc.,

[See addition suggested in my minute of 21/3/27 on 30046/27.

J.P.]

F.O. / cf. 13188/26 H.K.

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Mr. Paskin 7/12
Mr. Ellis 7/12
Mr.
Mr. E. J. Harding.
Mr. Strachey.
Sir J. Shuckburgh.
Sir G. Grindle. GG
Sir C. Davis.
Sir S. Wilson.
Mr. Ormsby-Gore.
Earl of Clarendon.
Mr. Amery.
Cowan

3 **DRAFTs.**

H.K.
Secr.
Gov.

[To go in dft to Sir M. Delevingne & Mr Strang with O.Sh.).

[fair copy for file also required).

for dft &
2 pl dft

Dec: 26.

Sir,

I have etc. to refer to my (7) Secret desp. of the 9th of Aug. in wh. I indicated my intention to address you further in regard to the qn of withholding travelling facilities from Haji Muhammad Hassan Nemazee.

2. I have to explain that it was represented to me at that time that the fact that Nemazee is a British subject & that the branches of the firm in Persia, Macao, Shanghai & Bombay were engaged in carrying on an illicit trade in opium had already become embarrassing to the British Representatives at Geneva, & that there did not appear to be any grounds for withdrawing

the instructions wh. were conveyed to
your predecessor in Mr Thomas' secret
despp. of the 19th of June & the 31st of (H.O. 23965/24)
Oct 1924, & wh. had only been in (H.O. 49286/24)
suspense owing to Nemazee's absense
from the ~~On the other hand~~ Colony.

3. On the other hand, ~~I~~
~~felt that it was impossible to ignore~~
~~the statements~~ ~~fact that~~ no evidence
~~is~~ had been produced to me to indicate
that the statements made to
H.M. Representatives in Persia that
~~(as a result of the amendments of~~
the H.K. Opium Order in 1924, &
the issue of the King's Regulations
for the control of the Traffic in
~~opium from the Persian Gulf)~~
the H.K. member of the family had
gone out of the opium business, were incorrect,
or that he is in any way responsible
for the transactions in opium wh. were
~~admittedly~~ alleged to be~~ing~~ carried on by other
members of the family.

4. I was ~~I~~ also ~~felt~~ influenced by the consn that, if it could
be proved at any time that he were re-engaging
in the illicit traffic in opium, it wd.

be possible to proceed against him under sec 4 of the Opium Order., ~~a~~ — a section wh. (it will be recalled) was ~~In these circs.~~ ~~I~~ enacted in 1924 ~~inserted~~ with specific reference to your predecessors obsns. on the ~~ineffectiveness~~ difficulty ~~possibility~~ of taking action against Nemazee under the Opium Order as it then ~~[illegible]~~ then stood.

5. In these circs. I felt that that there were insufficient grounds for renewing ~~renewing~~ the instructions that such a prominent ~~member~~ of the ~~E~~ unofficial community in the Col. (vide ~~[illegible]~~ Sir R. E. Stubbs's secret desp of the 7th of Aug, 1924) shd. be denied facilities for travelling on his legitimate business. Gov. 42809/24.

6. I now observe however from p2. of the Report ~~enclosed~~ forwarded ~~that~~ with your Conf. desp. of the 27th of Oct. that ~~some~~ some of the chests of Persian opium carried by the S.S. "Philadelphia" "had Nemazee's marks". ~~The inference~~

I presume you are satisfied that this
does not mean ~~wd. appear to be~~ that the H.K. member
of the family is still (or has
again become) interested in the proceeds
illicit traffic in opium. I shd. be
glad to be informed explicitly whether the
fuller information, wh. is no doubt
in your possession, ~~wd~~ indicates that
~~the Hon~~ ~~he is implicated~~ ~~this is the case~~ ~~& if so~~
~~whether~~ ~~whether~~ the Gt. of taking action
against him under the opium
Order. ~~has been~~ considered.

he is not
implicated
in these
transactions
& that there
is therefore no
reason to
consider

7. I shd. also be glad to be
furnished with your generally obsns. on the
the desirability or otherwise of
Gt. of withholding travelling facilities
from ~~the~~ Nemazee, & members of his
family or firm.

C.22165
30 NOV 1926

15

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Copy.

CONFIDENTIAL.

Copies to:-

Canton No.268.
Swatow.
Bushire.

Government House,

Hong Kong, 27th October, 1926.

Sir,

I have the honour to forward for your information copies of a minute and report by the Superintendent of Imports and Exports concerning the seizure of certain documents relating to the financing of shipments of Persian opium on the S.S. "Philadelphia". Two recent voyages of this ship are referred to in the confidential despatches dated 3rd December, 1925 and 7th September, 1926, from the British Resident, Bushire, to His Majesty's Principal Secretary of State for Foreign Affairs.

2. There is no objection on the part of this Government to the substance of the Superintendent of Imports and Exports' report being communicated to the League of Nations, but I would request that the names and addresses mentioned should not be given.

3. Copies of this despatch and its enclosures are being sent to the Resident Bushire, and to the Consul-General at Canton and the Consul at Swatow.

I have the honour to be,

Sir,

Your most obedient humble servant,

(Sd.) C. CLEMENTI,

Governor, &c.

THE RIGHT HONOURABLE
LIEUTENANT COLONEL L.C.M.S. AMERY, M.P.,
&c., &c, &c.

COPY.

Honourable Colonial Secretary,

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Re Persian Opium.

I forward a report on the examination of documents and enquiries made concerning the firms Kwong Hing Loong and Yue Hing Steam Ship Co. of 108 Des Voeux Road Central, the owners of the wellknown ship S.S. Philadelphia, which has completed two voyages with Persian opium from Bushire.

2. The interest lies in the fact that for the first time I have been able to prove that a cargo of Persian opium was actually arranged and financed in the Colony.

3. Unfortunately I was only able to arrest an employee of the firm, though I was convinced myself that he was a responsible man in the firm I was unable to prove it to the satisfaction of the Magistrate, and he/was accordingly discharged. The principals all absconded, and I have been unable to trace them. At least ten of them actually had lived in Hong Kong, and must be well-known to many of the Chinese mercantile community. But as usual I have been unable to obtain any particulars of them. Many of them had places of residence, in addition, outside the Colony, and went backwards, and forwards, in fact it was this point which would have rendered it very difficult to bring home a charge of dealing in opium to any one of them, it being very difficult to convince the magistrate that any action in reference to the opium had been actually performed in the Colony, by any particular person mentioned.

4. I have however reason to believe that the action taken thoroughly scared a good many of the higher class of Chinese merchants who were quite partial to taking a share in an opium gamble.

sd. J.D. Lloyd.

Superintendent of Imports and Exports.

22nd October, 1926.

COPY.

Report on the examination of documents seized at 108 Des Voeux Road Central.

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As a result of information a search was carried out on the 1st floors of 108 Des Voeux Road Central, 49 Bonham Strand East, and 71 Wing Lok Street on August 27th, a large number of papers were seized and one man arrested at 108, the other floors were untenanted at the time.

The firm occupying 108 was called Kwong Hing Loong, it purported to deal in exchange, but no evidence of this was discovered It had been started about the middle of 1925, apparently for no other purpose than to deal in opium, both Chinese and Persian. The partners were 21 in number, 6 belonging to Canton, 10 belonged to Hong Kong or were frequently resident here, I to Haiphong and Yunnanfu, though at one time resident here, the remainder belonged to Kongmoon.

A branch or allied firm was maintained at 12 Rua do Mastro, Macau, this firm apparently attended to the disposal of opium in the hinterland, and exchange cables with Bushire direct in order to avoid Hong Kong.

The Kwong Hing Loong was found to be the managing agents for the Yue Hing Steam Ship Co. a partnership of 4 persons, of whom 3 were also partners in the other firm. The other partner Ho Lui Hap was a native of Shanghai and apparently had had some connection with the S.S. Cohin Chine before.

In 1925 September the S.S. Cochin Chine was sold by order of the Court here for $45,000, the purchaser at once resold her to the Yue Hing Steam Ship Co. for $65,000, the names mentioned in the document of sale were different from those found in the books of the Company. She was renamed Philadelphia, or in Chinese "Tsun On". The ship was at once placed in the hands of a shipyard for refit, and left this port for Keelung on 7th October 1925. At Keelung she took in a large amount of coal and left for the Persian Gulf. She left Bushire with Persian opium on

27th November, 1925, and was again at Keelung sometime before 14th January, 1926, she arrived here on 3rd February, and was employed between this port and Haiphong till 27th May when she left for Hongay, from thence she sailed to Formosa to take in a large supply of coal, and she was next heard of on July 4th when S.S. Fushimi Maru heard her calling up Sabang by wireless, and using as a call signal, the letters allotted to a station in Formosa. Finally on August 10th she left Bushire with opium, arriving at Sabang for docking, and leaving thence on September 1st. After this date all trace is lost of her, from intercepted letters she went to near Shanghai, and was expected at Haiphong. It was rumoured that she had been seen in a Bay near Swatow, about the middle of September, but this is uncertain.

Of the first consignment of Persian opium it appears from the papers seized that the Kwong Hing Loong were responsible for 261 chests, the other chests certainly had Nemazee's marks, and may account for the ship's visit to Macau before coming back here. Of the second consignment it appears from a cable in secret code which I was able to decipher, that 481 chests of Persian opium belonged to the syndicate managed by the Kwong Hing Loong, and the remainder, 156 chests, belonged to a man called Wai and others, it is probable that this was the portion which was to be delivered in the neighbourhood of Shanghai. On reference to the report from the H.B.M. Resident at Bushire it will be seen that this amount is somewhat larger than that reported by him, to the Dutch authorities at Bushire the captain showed a manifest giving 560 chests only. The reason for the difference is not apparent in any of the papers.

The Kwong Hing Loong as soon as it was decided to form a syndicate to send the ship to Bushire for opium, began to solicit subscribers, the firm itself and the firm in Macau took up a certain number of chests, their partners took up a certain number, and the employees of the firm were allowed to come in at a favourable rate, and take up as little as a half chest. The amounts agreed on were paid gradually by instalments, in fact some were paid after the ship had arrived back with her cargo. A deposit was paid of apparently about ten per cent on the opium ordered from Behbehani, the remainder was remitted through the Hong Kong and Shanghai Bank direct to Bombay for the credit of Behbehani about two days before the ship sailed from Bushire.

Where the opium was disposed of is not clear from the documents 55 chests were stored at one time somewhere in this Colony. The opium was mostly sold in odd lots in packages each containing 48 taels, occasionally a whole chest is sold at once. The opium cost from $1,900 to $2,400 a chest, and was sold for various amounts up to about $4,600 in notes. The amounts realised were paid over to the subscribers less any portion of the subscription not already paid up. In many cases the subscribers never saw or dealt with the opium in any way, when the goods were sold they received a certain sum, in many cases no actual allotment of any particular chests were made, and it is not clear how it was decided how much the chest subscribed for by a particular person was sold for. It appears probable that when subscribers were in arrears with their subscriptions that the money required for immediate remittance was obatined from a Chinese Bank by name Sheng Fook, who owned a share in the Kwong Hing Loong firm, this bank also acted as the repository for the money paid in, and in many cases actually collected the amounts from Canton and Kongmoon.

Many of the names of the partners were already familiar, they were connected with the Kam Lei Loong firm, which was searched in connection with the Wing Tai firm in 1923, in fact one of the partners had started a new firm under a different name in the same premises as were occupied in 1923 by the Wing Tai. The name of the chief defendant, Lo Yue Heung, in the case reported on in connection with 20 Lei Yuen Street East in July

last

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last, appeared in the firms books as having received large sums this year. Another partner's name had been for a long time well-known as connected with the trade in Chinese Raw opium from Tung-Hing.

As soon as the ship was about to leave on her next opium trip, all the officers and members of the crew drew their wages up to the end of the current month, and also received an advance of two months' wages. The trip was calculated to last for three months, and during this time the crew were paid double wages, and also received a handsome bonus which was paid in instalments. The Captain Alfred Menanteau received as much as $3,275 as a bonus for the November trip. A supercargo by name Yue Hong travelled on the ship, he was a partner in the Kwong Hing Loong, he had management of all the business connected with the opium cargo, exchanged cables with the headquarters here, and the ship could be traced by any mention of him as being at a certain place. On each trip provision was made for going to Sabang, Keelung, and Shanghai, by the purchase of a considerable amount of the currency of these places, a considerable amount in sovereigns was also carried. On the first trip Sabang was missed, and record is found of the repurchase of the Dutch currency provided originally.

In the case of the second trip, the trouble was taken to go to a regular European ship broker to fix a charter for 3 months, a charter really to themselves, the man who signed the charter party was not a partner, or even a manager. The charter party was for only $5,500 per month, and prohibited the ship going West of Bombay. The chop which had been used to affix to the charterparty was found with the chops of the Kwong Hing Loong firm, it had obviously been only used once or twice. The name of the charter was given as the Hop Woh firm of Amoy, and the ship was stated to be for delivery at that port, so far as the papers found show, the only person connected with Amoy was the compradore of the ship Sham Iu Wing. It is probable that the idea of the charterparty was to conceal the real destination of the ship.

In one of the cables from the supercargo at Bushire decoded mention is made that the ship would have a red funnel, and would fly a white flag as a mark of distinction. Instructions were given for the ship to be met by another ship at a place called Long Fong Kai, the exact situation of this place cannot be determined, but it is believed to signify some creek West of Macau, or possibly between Haiphong and Pakhoi. Information received was to the effect that part of the opium was to be put off into junks south west of Gap Rock, near some islands. One cable suggested that she was to call at Saigon for orders, she did not however do so, a more recent letter intercepted seems to imply that she is due now in Haiphong. Letters seized make it quite plain that she was due to arrive in the neighbourhood of Shanghai, and local rumour had it that she had discharged her Shanghai opium near that place about the middle of September. In all the documents absolutely no mention is made of any intention of going to Vladivostock, for which she cleared from Bushire in both instances.

In the first venture some $450,000 was raised, and for the second some $650,000. It is to be remarked that this money was raised at the time of the beginning of the strike in July, 1925, and while the boycott was progress in June and July this year in respect of the second venture. Though trade was very bad, apparently the members of the syndicate had no doubt that an opium deal would be highly successful in spite of all the trouble. The fact that the opium was financed from Hong Kong apparently was not allowed to interfere with its disposal in sipte of the boycott.

sd. J.D. Lloyd.

Superintendent of Imports and Exports.

22nd October, 1926.

Exhibit "A" **Paraphrase.**

Sheng Fook 49, Bonham Strand East, Hong Kong.

to

Yu Hong C/O Superior Bushire.

Dated 21/7/26.

Your two cables from Saigon and Sabang received and understood. There is no doubt that Yu Kai is acting the traitor. I am already taking precautions and making investigations about them (or him). Mr. Wai will attend to his own goods. But please do your best to assist him in every possible way in landing the goods. It is absolutely necessary to inspect the goods very carefully in order to avoid any mistake. These are special instructions.

(Signed) "Ngah".

Exhibit E. 7   **Paraphrase.**

from Bushire to Kong Hing Lon, Macau dated 8th August, 1926.

I have received and understood your 2 cables. Have received safely 930,000 (rupees). The total of the goods is 481 packages of superior grade goods, together with 156 packages belonging to Wei and others in addition. We shall sail on the 3rd (August 10th.) and arrive at Sabang about 18/19th (25/26 August). I have already kept back sufficient funds to pay for docking and painting the Ship's bottom. This will increase the speed 1½ miles perhour. I shall wait for your cabled reply before starting. When I arrive at Saigon I will again report the date fixed for our return. If there is any urgent contingency hire a steamer and meet me at Long Fong Kai. Look out for a red funnel, and a white flag hoisted as a mutual answering signal.

But if you have found out the truth about Yu Kai why not kill him?

As there is need of secrecy in everything, I will certainly take ever precaution to watch all the fokeis of the ship and Chung. Do not worry.

Note. Chung is the wireless operator.

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F.O. cf. 13188/26 HK.

S.O. for my sig.

C. D.
R 26 AUG
D 26.

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27 Aug: 26.

Mr. Paskin 25/8 J.
Mr.
Mr.
Mr. E. J. Harding.
Mr. Strachey.
Sir J. Shuckburgh.
Sir G. Grindle.
Sir C. Davis.
Sir S. Wilson.
Mr. Ormsby-Gore.
Earl of Clarendon.
Mr. Amery.

DRAFT.

Sir Claud Severn K.B.E., C.M.G.

Ind

Dear Sir Claud,

Many thanks for your letter of the 20th of Aug. about Nemazi. The position as to travelling is very much as I imagined it to be. There is one complication however, in that Nemazi returned to HK. on a Persian passport.

The position now is that ~~the~~ a desp. was sent to the Gov. on the 9th of Aug. telling him not to relax his vigilance in case Nemazi shd. ~~again~~ ~~to~~ re-commence his illicit trafficking in opium (The H.O. suspect him of still being so engaged). In a separate desp. the Gov. was told that the 1914 instructions as to the withholding of travelling facilities are under censor. This was to give ~~Delevingne~~ Sir Malcolm an opportunity (for wh. he pressed) of re-opening this q= on Grindle's return from leave. I have now heard from ~~Delevingne~~ Sir Malcolm that he will be away during the whole of Sept. & that this q= will accordingly probably stand over till Oct.

It is very kind of you to offer to see ~~Delevingne~~ ~~Sir Malcolm~~ - - - - - - about it. I will bring your offer to Grindle's notice on his return.

Yours sincerely

(Signed) J. J. PASKIN.

P.S. I too shall be on leave during Sept.

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F.O.
No.C.F.13188/1926.
HK.

2 7 August, 1926.

Dear Sir Claud,

Many thanks for your letter of the 20th of August about Nemazi. The position as to travelling is very much as I imagined it to be. There is one complication however, in that Nemazi returned to Hong Kong on a Persian passport.

The position now is that a despatch was sent to the Governor on the 9th of August telling him not to relax his vigilance in case Nemazi should re-commence his trafficking in illicit opium. (The Home Office suspect him of still being so engaged). In a separate despatch the Governor was told that the 1924 instructions as to the withholding of travelling facilities are under consideration. This was to give Sir Malcolm an opportunity (for which he pressed) of re-opening this question on Grindle's return from leave. I have now heard from Sir Malcolm that he will be away during the whole of September and that this question willaccordingly probably stand over till October.

It

SIR CLAUD SEVERN, K.B.E., C.M.G.,

It is very kind of you to offer to see Sir Malcolm about it. I will bring your offer to Grindle's notice on his return.

Yours sincerely,

(Signed) J. J. PASKIN.

P.S. I too shall be on leave during September.

F.O.

24 August, 1926.

No. C.F.13188/1926.

H.K.

Dear Sir Claud,

Many thanks for your letter of the 20th of August about Nemazi. The position as to travelling is very much as I imagined it to be. There is one complication however, in that Nemazi returned to Hong Kong on a Persian passport.

The position now is that a despatch was sent to the Governor on the 9th of August telling him not to relax his vigilance in case Nemazi should re-commence his trafficking in illicit opium. (The Home Office suspect him of still being so engaged). In a separate despatch the Governor was told that the 1924 instructions as to the withholding of travelling facilities are under consideration. This was to give Sir Malcolm an opportunity (for which he pressed) of re-opening this question on Grindle's return from leave. I have now heard from Sir Malcolm that he will be away during the whole of September and that this question will accordingly probably stand over till October.

It

SIR CLAUD SEVERN, K.B.E., C.M.G.,

It is very kind of you to offer to see Sir Malcolm about it. I will bring your offer to Grindle's notice on his return.

Yours sincerely,

(Signed) J. J. PASKIN.

P.S. I too shall be on leave during September.

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HOME OFFICE,
WHITEHALL,
S.W.1.

S.O.197.

24th August, 1926. 539

Dear Paskin,

Thank you for your letter of the 9th in regard to the question of restricting Nemazi's movements. The matter will probably now have to stand over till October, as Sir John Anderson, with whose authority my letter to you was written, is away at present, and I shall be away myself during September. I take it this will be agreeable to the Colonial Office.

Yours sincerely,
Malcolm Delevingne

J.J. Paskin, Esq., M.C.